

Message Text

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ACTION EB-07

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SUBJECT: DRAFT OF GREECE'S 1976-1980 FIVE YEAR ECONOMIC AND SOCIAL
PLAN TABLED IN PARLIAMENT

A) 75 ATHENS 8477; B) 76 ATHENS 1793; C) 76 ATHENS 13250;
D) ATHENS 3924; E) ATHENS A-18

1. SUMMARY: COORDINATION MINISTER PAPALIGOURAS LAST WEEK
SUBMITTED TO PARLIAMENT A LONG-AWAITED PRELIMINARY DRAFT OF
GREECE'S 1976-1980 FIVE YEAR ECONOMIC AND SOCIAL DEVELOPMENT
PLAN. THE FULL PLAN WILL BE PRESENTED TO AND CONSIDERED BY THE
PARLIAMENT AFTER THE SUMMER VACATIONS (PROBABLY IN SEPTEMBER).
IN A PRESS STATEMENT, PAPALIGOURAS OUTLINED THE ECONOMIC AND
SOCIAL GOALS OF THE PLAN. ALTHOUGH SOME OF THE MATERIAL WAS NEW,
THE MAIN POINTS HAVE BEEN ANNOUNCED AND REPORTED PREVIOUSLY
(SEE REFERENCES). END SUMMARY.

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2. ECONOMIC GOALS: (A) THE ECONOMIC GROWTH TARGET OF THE PLAN
IS AN AVERAGE ANNUAL RATE OF 6-7 PERCENT IN REAL GDP, WITH
A REAL ANNUAL PER CAPITA INCREASE OF 5-6 PERCENT. (B) ON THE
EMPLOYMENT SIDE, THE PLAN FORESEES 210,000 NEW JOBS IN THE NON-
AGRICULTURAL SECTOR OVER THE FIVE-YEAR PERIOD, 170,000 OF THESE
DURING 1977-1980.

THESE POSITIONS WILL BE FILLED THROUGH NATURAL GROWTH OF THE LABOR FORCE, NET IMMIGRATION AND MIGRATION FROM THE RURAL SECTOR (SEE REF E). (C) IMPROVING THE ORGANIZATION AND ORIENTATION OF PRODUCTION SHOULD INCREASE INDUSTRY'S SHARE OF GNP FROM 21.8 PERCENT IN 1976 TO 25 PERCENT IN 1980; EXPORTS ARE EXPECTED TO RISE FROM 15.2 PERCENT OF INDUSTRIAL PRODUCTION IN 1976 TO 20 PERCENT IN 1980. (D) REGIONAL DEVELOPMENT AWAY FROM ATHENS AND THESSALONIKI, AND TOWARDS BORDER AREAS IN PARTICULAR, WILL BE ENCOURAGED. (E) THE TARGET FOR REAL GROSS FIXED ASSET FORMATION IS AN INCREASE OF 11.3 PERCENT PER ANNUM DURING THE PLAN PERIOD, BUT BECAUSE OF THE LAG IN 1976 THIS WILL REQUIRE 13.1 PERCENT PER ANNUM IN 1977-80. A LARGER SHARE OF TOTAL EXPENDITURE OF THE ECONOMY SHOULD ALSO BE DEVOTED TO GROSS INVESTMENT DURING THE PLAN PERIOD, REACHING 23.1 PERCENT IN 1980 VIS-A-VIS 18.4 PERCENT IN 1976. INVESTMENT IN RESIDENTIAL CONSTRUCTION, ON THE OTHER HAND, SHOULD BE REDUCED TO 6.5 PERCENT ANNUALLY DURING 1976-1980, IN ORDER TO DECREASE ITS SHARE IN TOTAL FIXED ASSET FORMATION. THE PLAN ALSO FORESEES AN INCREASE IN LOCAL FINANCING OF NEW INVESTMENT, WHICH WOULD MEAN A LOWER PERCENTAGE FROM NET EXTERNAL BORROWING. (F) THE TARGET INFLATION RATE IS A MAXIMUM SEVEN PERCENT PER ANNUM DURING 1976-80, AN AMBITIOUS GOAL IN VIEW OF THE 13.3 PERCENT AVERAGE IN 1976. (G) THE PLAN PREDICTS STABILIZATION OF THE CURRENT ACCOUNT DEFICIT AT THE 1975-76 LEVEL, NAMELY AROUND \$1.1 BILLION, THROUGH 1980. GROSS CAPITAL INFLOW IN 1980, INCLUDING PRINCIPAL REPAYMENTS AND INCREASES IN OFFICIAL RESERVES, IS ESTIMATED AT \$2.05 BILLION, VIS-A-VIS \$1.5 BILLION IN 1976. OFFICIAL BORROWING IS ESTIMATED AT \$2.4 BILLION FROM 1976-80 (IT REACHED AROUND \$400 MILLION IN 1976).

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3. SOCIAL GOALS: PAPALIGOURAS LISTED THE POLITICAL AND SOCIAL OBJECTIVES DURING 1976-80 AS: (A) CONSOLIDATION AND IMPROVEMENT OF THE OPERATION OF DEMOCRATIC INSTITUTIONS; (B) STRENGTHENING OF THE COUNTRY'S DEFENSE CAPABILITY; (C) EUROPEANIZATION OF THE ECONOMIC, SOCIAL AND ORGANIZATIONAL STRUCTURE TO HASTEN EC ACCESSION; (D) PRESERVATION OF GREECE'S NATIONAL IDENTITY WITHIN THE CONTEXT OF WESTERN DEMOCRACY; AND (E) IMPROVEMENT OF THE QUALITY OF LIFE.

4. ELABORATING ON THESE OBJECTIVES, PAPALIGOURAS STRESSED THAT IMPORTS OF ARMAMENTS WILL BE A BURDEN FOR MANY YEARS TO COME. REGARDING EC ACCESSION, HE AGAIN REITERATED THAT GREECE'S CASE DIFFERS FROM THAT OF OTHER COUNTRIES, PARTICULARLY IN VIEW OF ITS ASSOCIATION WITH THE COMMUNITIES SINCE 1962.

5. COMMENT: PAPALIGOURAS' PRESS STATEMENT REVEALED VERY LITTLE NEW INFORMATION REGARDING THE FIVE YEAR PLAN'S GOALS AND PROJECTIONS. ALTHOUGH IT IS DIFFICULT TO MAKE A FAIR JUDGMENT

UNTIL WE HAVE SEEN THE COMPLETED DOCUMENT, THE AMBITIOUS DEVELOPMENT
TARGETS DO NOT APPEAR TO BE SUPPORTED BY REALISTIC MEANS OF
ACHIEVING THEM, AND THUS IN SOME INSTANCES (I.E., TARGETS FOR
INFLATION RATE AND INCREASE IN PRODUCTIVE INVESTMENT) APPEAR TO
US UNREALISTIC.
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